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INTELLIGENCE REPORT
This document is hereby regraded to
CONFIDENTIAL in accordance with the
letter of 16 October 1973 from the
Director of Central Intelligence to the
Archives of the Central Intelligence Group.

COUNTRY China

SUBJECT Political Information: Possible Separation in
Southeast China -- Position, Potentialities and
Relations of CHANG Fa-kuei and LI Chi-shen with
Local Factions

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SUPPLEMENT

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[REDACTED] Comment: Rumors of separatist movements, previously rife, have died down during May and June. The present picture in South China is one in which the potentially powerful and independent warlords have been divested of all or most of their troops. These men are now seeking to recruit new followers and are jockeying for position. New alliances and personal regroupings are frequent and not long-lasting. It seems unlikely that any one group can form a concerted separatist movement in the near future. The Generalissimo will rely on mutual rivalries as usual, and South China will probably remain in the Central Government fold for the time being. In the event of extreme weakening or collapse of the Central Government, a separatist movement directed by CHANG Fa-kuei or by the LI Chi-shen -- T'AI Ting-kai led group, leading to the eventual autonomy of the southeastern provinces, is quite possible. The degree of probability that CHANG and LI would combine forces cannot be determined. The weight of Governor LO Cho-ying, considered a staunch Kuomintang man with unquestioned loyalty to the Generalissimo, would probably be thrown against any separatist movement, as would that of LI T'ieh-han, the Canton Police Commissioner who was formerly the head of the Generalissimo's personal bodyguard. LO commands approximately 15,000 Kwangtung Peace Preservation Corps troops, including those on Hainan Island. The following discussions of potentialities for separatist movements are included not so much because of their present importance as because of their possible future significance.)

POSITION, POTENTIALITIES AND RELATIONS OF CHANG FA-KUEI

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[REDACTED] Comment: The nearest approach to a "strong man" in South China since the end of the Anti-Japanese War has been General CHANG Fa-kuei, commander of The President's Headquarters in Canton. CHANG's record, which includes revolts against the Generalissimo prior to 1931, indicates an independent and opportunistic nature which makes him a potential leader for autonomy. CHANG is courteous to representatives of all factions except the Communists, whom he has openly opposed. He is said to give limited support to HO Chi-minh, Vietnam leader, but he is also friendly to the opposing Indo-Chinese Nationalist Front.

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During the past year and a half, however, CHANG has been systematically divested of the great military strength which was concentrated in South China at the time of the Japanese surrender. It is now reported that units of the 64th Division (formerly the 64th Army), CHANG's "own" Cantonese troops, have been moved north and that two brigades of the 69th Division, said to be more loyal to Nanking than to CHANG, have replaced the 64th Division troops. Besides these two brigades, CHANG is now said to have direct control over troops that approximate only one brigade in strength. Most of CHANG's officers are non-Cantonese appointed by Nanking.

Rumors, such as the one in February involving CHANG in a separatist plot with Kwangsi leaders Pai Chung-hsi and LI Tsung-jen, are probably unfounded and are believed to have been inspired by the Communists or some of CHANG's other enemies to create discord among the Nationalist leaders and to discredit CHANG. CHANG's current appointment to the governorship of Hainan Island is believed to indicate that CHANG Kai-shek has full confidence in him. (A test of CHANG's ability to suppress or to cooperate with Communist-led irregular troops and bandits will result from his assumption of this post.)

Relations with Chinese Leaders

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1. Unconfirmed reports state that CHANG Pa-k'uei is secretly negotiating with local Communists in Kwangtung, but this seems unlikely. CHANG has no personal grievance against any Kwangtung political leaders except a difference of opinion with LO Cho-ying regarding bandit suppression on Hainan Island. LO's name has never been associated with any separatist movement. Communist sources in Hongkong state that LO is surrounded by handpicked Nanking appointees as an additional safeguard to his loyalty; this is also true for CHANG. YU Han-mou, former Cantonese war lord, is discredited since he surrendered Canton to the Japanese without a fight. His troops have all been taken away and sent to North China. YU still has some political following and would certainly like to make a comeback but means seem to be lacking. He entertains some hopes of getting the job as Canton Pacification Commander if and when CHANG Pa-k'uei goes to Hainan Island. The name of Admiral CHAN Chak (CH'EN Tse, Canton Mayor for the year following the Japanese surrender) is seldom associated with any separatist movement. He commands no troops or military unit; but he is reportedly expecting the appointment as Kuomintang Headquarters Chief on Hainan Island. He is resentful of CHANG Pa-k'uei as both wanted the Hainan Governorship. Both CHANG and CHAN Chak are resentful of LO Cho-ying who wanted Hainan to remain a part of Kwangtung Province. CHAN Chak has been cultivated and knighted by the British.

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2. CHANG Pa-k'uei remains loyal to Nanking as long as there is a substantial Nanking Government to which to remain loyal; but if it reaches the point of immediate disintegration, CHANG would prefer to see South China become separate and in good hands--namely, his own. There are unconfirmed reports that the

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POSITION, POTENTIALITIES AND RELATIONS OF LI CHI-SHEN AND COMMUNIST GROUPS

comment: The strongest outright opposition to the present Central Government, which might blossom into separatism in the future, lies in the group led by LI Chi-shen, once-powerful warlord and Kuomintang general second only to the Generalissimo in seniority until his retirement in 1943, and in its present cooperation with Hongkong leaders of Kwangtung Communist and bandit forces. General TS'AI T'ing-k'ai is the second most prominent name in this group. His recent return to Hongkong from Nanking indicates that the Generalissimo did not consider TS'AI enough of a threat to detain him. LI Chi-shen still clings to his Kuomintang designation, but he is also head of the Democratic Promotion Association (also called Democratic Alliance Party), which has close connections with the Democratic League and the Communists in Hongkong. LI is an intimate friend of Communist CH'AO Lu. CH'AO and his journalist wife, KUNG Ping, are the clandestine sponsors of the Chinese Communist English-language magazine, China Digest. Articles written by LI recently appearing in this magazine have been violently anti-Kuomintang and have denounced American aid to the Central Government. LI is reportedly wealthy. LI Chi-shen is reported to have had some success in recruiting troops but the main strength which might be associated, at least temporarily with his group is in the Communist-led irregulars and bandits. LI, TS'AI, and the Communists together control an estimated 40,000 troops of which less than 15,000 are effectively armed. Communist troops who have enlisted the aid of large numbers of bandits, are fairly active on Hainan Island, and recently, under the female warlord CHENG K'un Lien, very active on the Luichou Peninsula. CHENG's troops reportedly control the whole Luichou Peninsula except for the Kuangchowwan area. The Hainan troops are said to have an arsenal on Hainan in which Japanese technicians assist in producing small arms, machine guns, and small field pieces. These forces are at a serious disadvantage against the Government troops under CHANG Pa-k'uei and LO Cho-ying, as far as gaining anything more than local successes in areas where Nationalist garrisons are weak.

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Relations with Chinese Leaders and Groups

5. There has been a great personal friendship built up between CHANG Pa-k'uei and LI Chi-shen, partly because LI was formerly CHANG's Commanding Officer. CHANG has advised LI not to take any steps that would be harmful and has approached the Generalissimo with a guarantee that LI will not betray the Kuomintang and China. [REDACTED] Note: A UP dispatch from Nanking on 11 May stated "The Standing Committee of the Kuomintang Central Executive Committee this morning passed a resolution expelling Marshal LI Chi-shen from the party for his statement to the Hongkong press vigorously denouncing Generalissimo CHIANG Kai-shek and predicting a revolution in China. The Central Political Council was requested to execute the disciplinary measure". LI, now in Hongkong, stated to the United Press recently that he would join the revolution when it takes place...". Frequent communication has taken place between LI Chi-shen, MacDougall, Chinese Communist FANG Fang, and LI's nephew, LI Sheng (李盛 alias LI Lo-fu 李洛夫) who is the Chinese Communists' Special South China Delegate. LI Sheng, aged 35, is a graduate of Kwangsi University. He was once arrested and released in Shanghai before the war. He was Sectional Head of the Chungking Office of the Chinese Communists, but was later transferred to Yen-an Headquarters. From Yen-an he went secretly to Hongkong via Shanghai. The reason for his mission to Hongkong is that the Chinese Communists are attempting to control the Democratic Alliance Party by utilizing the relationship between LI Chi-shen and LI Sheng.

6. LI Chi-shen is seeking to regroup former officers and men of the 19th Route Army. He is being closely watched by the Chinese secret police because all his activities are closely connected with the Chinese Communist Party in South China. In order to help maintain the livelihood of former followers of the 19th Route Army after the Japanese surrender, TS'AI T'ing-k'ai (蔡廷楷), TAI Ch'i-hsiu (譚啓秀) and LIANG Hung-k'ai (梁鴻楷) sold 300 pistols, formerly purchased by TAI when he was the Commander in Chief of the 19th Route Army. The remaining arms which TAI still possesses, including 5,000 rifles, 180 machine guns, 24 artillery pieces, and some communication equipment are all concealed in the Loting (111-28, 22-41)-Hsinyi (110-52, 22-08) area. Arms and equipment among the former detachment commanders of the 19th Route Army are as follows:

a. TSUNG Hsu-p'ing (曾序平) of Yangchiang (111-53, 21-52); former Chief of Staff of the 19th Route Army; at present has approximately 1,000 rifles and 230 machine guns and artillery pieces. These arms are protected by his followers SHA Chi-hsiang (沙吉祥), now Chief Councillor of Yangchiang Hsien, YAO Yu-shen (姚毓森) and YAO Ta-nien (姚大年). SHA wields considerable power in Yangchiang and can mobilize a few thousand natives in the area for any military or political movement.

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- b. P'AN Fei (龐飛) of Loting; a graduate of Sun Yat Sen University and a follower of T'AN T'ing-k'ai; has hidden in the town two machine guns and approximately 800 rifles. T'AN and T'AN Chi-hsiu are both natives of Loting.
- c. CH'EN Hsin-chih (陳信之) of HsinYi; formerly division commander of the 19th Route Army, later Magistrate of Ch'uehsiang (113-53, 24-50); has concealed about 700 rifles and pistols in his home.
- d. LI Shao-pai (李少白) of Yunfou (112-01, 22-56); follower of T'AN Chi-hsiu; formerly magistrate of Yunfou Hsien and commander of the Civilian Corps; has about 500 rifles hidden in Yangchiang; he is at present in Hongkong.
- e. LIANG Wen-k'ai (梁文楷) of Hsinhsing (114-03, 25-02 source's coordinates); brother of LIANG Hung-k'ai, has 1,500 rifles in his home. LIANG Wen-k'ai was a regimental commander when his brother was the Commander of the 4th Army.
- f. LI Chen-yeh (李振業) of Yunan (111-32, 23-04); former regimental commander at Yenchao (葉肇); has concealed more than 1,000 pieces of arms in his home. During the war he was Commander in Chief of the 3rd Route Army. He is now detained by LI Yen-liang (李彥良), Chief of Detectives (?) of the Canton Municipal Police Bureau, as personal revenge for the death of his brother who was executed by LI Chen-yeh in Yunan for smuggling.
- g. LIU Chun-hua (劉君翹) of Yangchiang; a graduate of the College of Law and Politics; formerly a Provincial Councillor; has about 500 arms. In 1920 was a Commander of the Civilian Corps; now a member of the Yangchiang Hsien Council.
- h. CHUI Ya-chi (崔亞基) of Tienpai (111-21, 21-26); graduate of Kuo Min University; now a Provincial Councillor; has 70 rifles in his home.

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7. When LI Chi-shen arrived in Hongkong by boat from Shanghai he was accompanied by his assistant TAI Pen (戴芬), Blueshirt leader and nephew of the late TAI LI. LI was met by YANG Hu, Chairman of the China Overseas Seamen's Union in Hongkong and CHIANG Kuang-nai, former co commander in the 19th Route Army. While in Hongkong, LI conferred with the following leaders: CH'EN Ming-shu (陳銘樞), FANG Fang, HO Hsiang-ning, CH'EN Chi-yuan, and TU Yueh-sheng. (Shanghai Note: See previous report on the reasons for the departure to Hongkong of TU and YANG Hu.)

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